

# Facilities Management (FM) Exploration

## *Overview: Business Justification Report*

Real estate is one of the State of Tennessee's largest budget expenditures representing approximately \$550 million in annual costs (including energy).

Facilities Management (FM) is an initiative to explore opportunities to improve the state's real estate operations, resulting in more efficiency and less expense.

A business justification report was developed as part of the ongoing exploration process to better understand potential savings through contract service providers who specialize in building management than state managed.

The business justification report includes four key areas:

1. **Tennessee General Government Experience:** Results from the state's current experience with a professional facility management service provider resulting in a nationally recognized program with \$13 million in cost avoidance at 10 percent of state buildings (10 million square feet) in the first two years.
2. **Market Strength Assessment:** Expected market strength to determine if there is enough interest from potential service providers for state needs.
3. **Texas A&M University Experience:** Results achieved by Texas A&M University System through professional facilities management services across all campuses resulting in over \$20 million in annual savings.
4. **Potential Savings Analysis:** Potential cost savings analysis using an industry cost index to benchmark the state's current costs for facility management; assumes all needed maintenance is performed at the appropriate time.

### Potential Cost Savings

- Benchmarking results compared to projected actual costs indicate the potential for the state to save nearly \$36 million annually through service provider options.
- The state will be issuing a request to procure an independent third party to objectively verify/validate the cost analysis performed as part of the business justification.
- Potential savings resulting from lower costs can be redirected into programs and services for Tennesseans, while lowering the overall cost of government and improving resource management.

### Next Steps

- The state remains committed to a collaborative process, including higher education and legislative stakeholders as well as general government, as we continue to gather information necessary for the state and other institutions to make an informed decision on service options that best meet their needs.
- Any potential contract with a professional service provider will include strict language prohibiting the successful vendor from initiating any reduction in force at any time during the contract period and no current qualified and productive employee will lose their job because of a contract.
- In addition, this effort will offer employee protections by seeking to provide continuous employment opportunities with comparable compensation and benefits subject to satisfactory job performance.
- More information is available at <http://www.tn.gov/serem/section/facilities-management>.